



State of Delaware
Water Infrastructure Advisory Council
97 Commerce Way, Suite 106
Dover, Delaware 19904

Telephone: (302) 739-9941
FAX: (302) 739-2137

Minutes of the 151st Meeting

August 21, 2019

The Water Infrastructure Advisory Council held a public meeting on Wednesday, August 21, 2019, at 9:00 a.m., at Kent County Administrative Complex 555 Bay Road, Conf. Room 220, Dover, Delaware.

MEMBERS PRESENT:

Jeffrey Bross, Chairman
Hans Medlarz, Vice-Chair
Desmond Baker
Richard Duncan
Charles Anderson
Dave Baker
Jen Adkins
Eugene Dvornick arrived at 9:04 a.m.
Robert Stickels

MEMBERS ABSENT:

Jeffrey Flynn
Victoria K. Petrone
Carolann Wicks
J. Michael Riemann

OTHERS PRESENT WERE:

Greg Pope, Environmental Finance
Laura Robbins, Environmental Finance
Laura Rafferty, Environmental Finance
Davison Mwale, Environmental Finance
Robert C. Burns, Environmental Finance
Reza Moqtaderi, Environmental Finance
James Sullivan, DNREC
Bob Zimmerman, DNREC
Doug Lodge, ODW/OE
Heather Warren, DPH
David Athey, AECOM

Ken Branner, Artesian
David Spacht, Artesian
Mike Gilbert, WRA
Lew Podolske, Inland Bays Foundation
Matt Bailey, Newark DE
John Bucchionni, Milton, DE
Maria Payan, SHEN/SRAP
Shelly Cohen, Milton, DE
K. Haynes, Millsboro, DE

CALL TO ORDER PUBLIC MEETING:

Meeting came to order at 9:02 am.

APPROVAL OF THE AGENDA:

Motion made by Mr. Duncan, seconded by Mr. Anderson to approve the agenda. Motion carried unanimously.

APPROVAL OF PUBLIC MEETING MINUTES – June 19, 2019:

Motion made by Mr. Duncan, seconded by Mr. Stickels to approve the June 19, 2019, public meeting minutes. Motion carried unanimously.

WIAC INFORMATIONAL:

Chairman Bross presented a plaque to Michael Harmer, P.E., and thanked him for his service to WIAC.

Greg Pope presented the **Legislative Updates:**

HB 119 - Non-Profit Grant Eligibility was signed on August 15, 2019. It will allow Non-Profits to take out loans and grants from the SRF; however, the Non –Profits must be regulated by the Public Service Commission.

HB 200 – Clean Water for Delaware was voted out of the Natural Resources Committee and assigned to the Appropriations Committee. It could be brought out again in January. Chairman Bross requested that a draft be circulated in advance before the next meeting so it can be discussed at the October meeting.

Greg Pope presented the **Wastewater and Drinking Water Needs Assessment:**

A draft was received this week, but it still needs work done on it.

Jim Sullivan presented the **Surface Water Needs Assessment:**

AECOM is under contract. The interviews with the municipalities and counties will either be in the end of September or in October. Survey questions will be in the middle of next month. All the data should be in front of WIAC at the October meeting, and a draft should go to the Surface Water Subcommittee in December. The goal is to have a presentation to WIAC at the December meeting.

Greg Pope presented **CWSRF/DWSRF NOI Solicitation Workshop Update**

The Workshop was held on July 25, 2019. NOIs (Notices of Intent) are due by August 30. Applications for Wastewater, Drinking Water, and Surface Water Planning Grants are due by August 28.

NEW BUSINESS:

DWSRF LOAN REQUESTS:

Doug Lodge presented **Artesian Water Company's Coventry Water Main Renewal Project.**

Project Description: This project is being proposed to address the failing and older water mains located in the Coventry development. The installation of approximately 4,100 linear feet of ductile iron water main. All existing water mains will be abandoned and all water services will be replaced along with valves and fire hydrants. There will be a reduced potential for water outages and water contamination. It will also improve capacity and flow characteristics.

Environmental Review: Categorical Exclusion will be issued.

Capacity Development Review: Approval Recommended.

Construction Dates:

Start Date: April 2020

End Date: October 2020

Project Budget:

a. Administration	<u>\$158,100</u>
b. Engineering	<u>\$96,900</u>
i. Basic	\$76,500
ii. Project Inspection	\$20,400
c. Construction	<u>\$1,445,000</u>
Total	<u>\$1,700,000</u>

Project Funding

DWSRF Loan	\$1,700,000
-------------------	--------------------

Robert Burns presented the following financial information.

Affordability Summary: Artesian is regulated by the Delaware Public Service Commission (PSC). The PSC mandates water service practices and rates for all investor-owned public utilities serving 50 or more users. The "Public Advocate" appears before the PSC to insure the lowest reasonable rates for consumers, consistent with an equitable distribution of rates among all classes of consumers and the maintenance of adequate utility service.

Since investor owned utilities are regulated by the PSC the following analysis is for informational and comparison purposes only.

Based on Artesian's tariff cost structure, new project debt service is built into the rates and shared among all of the Artesian customers. Users pay a Meter Charge based on size, a Fire Hydrant Charge and a Distribution System Improvement Charge. Based on these charges, Coventry users will pay approximately \$766 per EDU (equivalent Dwelling Unit) annually or 1.21% of MHI (Medium Household Income).

Affordability Analysis

Annual Consumption Charges Based on Average Residential use of 66,000 gallons per EDU	\$498
Annual Meter Charges	\$165
Annual Fire Hydrant Charges	\$50
Annual Distribution System Improvement Charges	\$53
Total Estimated Annual Charge Per EDU	\$766
EDU's based on Artesian's customers served in Delaware	86,500
Median Household Income State of Delaware	\$63,036
% of MHI	<u>1.21%</u>

Loan Terms

- The loan will be secured by a General Obligation Note.
- The interest rate for the loan will be 1.187% annually.
- Interest only payments during project construction paid semiannually.
- At project completion, the remaining principal balance up to \$1,700,000 will require equal semi-annual principal and interest payments sufficient to amortize the balance over the remaining term, not to exceed 20 years.

Recommendation: Based on information presented by Artesian's Drinking Water SRF application and the financial review conducted by DNREC, Environmental Finance; the Department of Health and Social Services, Division of Public Health recommends Council's approval of the DWSRF Binding Loan Commitment in the amount of \$1,700,000 to Artesian Water Company, Inc. for the Coventry Water Main Renewal Project with the aforementioned loan terms.

Motion made by Mr. Dvornick, seconded by Mr. Duncan to approve the DWSRF Binding Loan Commitment (\$1,700,000) to Artesian Water Company for the Coventry Water Main Renewal Project. Motion passed unanimously.

Doug Lodge presented the **Artesian Water Company's Marshallton Heights Water Main Renewal Project.**

Project Description: This project is being proposed to address the failing and older water mains (cast iron) located in the Marshallton Heights development. The installation of approximately 2,900 linear feet of ductile iron water main. All existing water mains will be abandoned and all water services will be replaced along with valves and fire hydrants. There will be a reduced potential for water outages and water contamination. It will also improve capacity and flow characteristics.

Environmental Review: Categorical Exclusion will be issued.

Capacity Development Review: Approval Recommended.

Construction Dates:

Start Date: June 2020

End Date: October 2020

Project Budget

a. Administration	<u>\$96,255</u>
b. Engineering	<u>\$58,995</u>
i. Basic	\$46,575
ii. Project Inspection	\$12,420
c. Construction	<u>\$879,750</u>
Total	<u>\$1,035,000</u>

Project Funding

<u>DWSRF Loan</u>	\$1,035,000
--------------------------	--------------------

Robert Burns presented the following financial information.

Affordability Analysis

Annual Consumption Charges Based on Average Residential use of 66,000 gallons per EDU	\$498
Annual Meter Charges	\$165
Annual Fire Hydrant Charges	\$50
Annual Distribution System Improvement Charges	\$53
Total Estimated Annual Charge Per EDU	<u>\$766</u>
EDU's based on Artesian's customers served in Delaware	86,500
Median Household Income State of Delaware	\$63,036
% of MHI	<u>1.21%</u>

Loan Terms:

- The loan will be secured by a General Obligation Note.
- The interest rate for the loan will be 1.187% annually.
- Interest only payments during project construction paid semiannually.
- At project completion, the remaining principal balance up to \$1,035,000 will require equal semi-annual principal and interest payments sufficient to amortize the balance over the remaining term, not to exceed 20 years.

Recommendation: Based on information presented by Artesian's Drinking Water SRF application and the financial review conducted by DNREC, Environmental Finance; the Department of Health and Social Services, Division of Public Health recommends Council's approval of the DWSRF Binding Loan Commitment in the amount of \$1,035,000 to Artesian Water Company, Inc. for the Marshallton Heights Water Main Renewal Project with the aforementioned loan terms.

Motion made by Mr. Duncan, seconded by Ms. Adkins to approve the DWSRF Binding Loan Commitment (\$1,035,000) to Artesian Water Company for the Marshallton Heights Water Main Renewal Project. Robert Stickels was out of the room at the time of voting. Motion passed.

During the Finance Subcommittee's review of the Artesian projects, there was a discussion on the difference of Artesian being regulated by the Public Service Commission and how to address the effect on the Affordability Analysis.

Doug Lodge presented **Artesian Water Company's Wilmington Manor Gardens Water Main Renewal Project.**

Project Description: This project is being proposed to address the failing and older water mains (cast iron) located in the Wilmington Manor development. The installation of approximately 3,535 linear feet of ductile iron water main. All existing water mains will be abandoned and all water services will be replaced along with valves and fire hydrants. There will be a reduced potential for water outages and water contamination. It will also improve capacity and flow characteristics.

Environmental Review: Categorical Exclusion will be issued.

Capacity Development Review: Approval Recommended.

Construction Dates:

Start Date: June 2020

End Date: October 2020

Project Budget

a. Administration	<u>\$123,690</u>
b. Engineering	<u>\$75,810</u>
i. Basic	\$59,850
ii. Project Inspection	\$15,960
c. Construction	<u>\$1,130,500</u>
Total	<u>\$1,330,000</u>

Project Funding

<u>DWSRF Loan</u>	<u>\$1,330,000</u>
--------------------------	---------------------------

Robert Burns presented the following financial information:

Affordability Analysis

Annual Consumption Charges Based on Average Residential use of 66,000 gallons per EDU	\$498
Annual Meter Charges	\$165
Annual Fire Hydrant Charges	\$50
Annual Distribution System Improvement Charges	\$53
<u>Total Estimated Annual Charge Per EDU</u>	<u>\$766</u>

EDU's based on Artesian's customers served in Delaware	86,500
Median Household Income State of Delaware	\$63,036
% of MHI	<u>1.21%</u>

Loan Terms:

- The loan will be secured by a General Obligation Note.
- The interest rate for the loan will be 1.187% annually.
- Interest only payments during project construction paid semiannually.
- At project completion, the remaining principal balance up to \$1,330,000 will require equal semi-annual principal and interest payments sufficient to amortize the balance over the remaining term, not to exceed 20 years.

Recommendation: Based on information presented by Artesian's Drinking Water SRF application and the financial review conducted by DNREC, Environmental Finance; the Department of Health and Social Services, Division of Public Health recommends Council's approval of the DWSRF Binding Loan Commitment in the amount of \$1,330,000 to Artesian Water Company, Inc. for the Wilmington Manor Gardens Water Main Renewal Project with the aforementioned loan terms.

Motion made by Mr. Duncan, seconded by Mr. Dvornick to approve the DWSRF Binding Loan Commitment (\$1,330,000) to Artesian Water Company for the Wilmington Manor Gardens Water Main Renewal Project. Motion passed unanimously.

There was a discussion about a subsidy that could be provided to Artesian and passed onto the consumer. The Additional Subsidization Grant is under construction, and currently only municipalities can apply: hopefully, this will change in the future. According to federal regulations, the DWSRF can subsidize private utilities.

The process of using the current Affordability Analysis is difficult because of Artesian's rate being set by the Public Service Commission, and not knowing when there will be another rate increase.

Artesian has a program administrated by Catholic Charities that forgives certain levels of water use. It was suggested to work with Catholic Charities in administering the Additional Subsidization Grant. Environmental Finance does not have a timeline for the Additional Subsidization Program due to being understaffed. The goal is to complete the work on the program through the WIAC Finance Subcommittee before presenting it to WIAC for approval.

One of the issues discussed by the WIAC Finance Subcommittee was getting feedback from potential users. The program was brought up at the CWSRF/DWSRF workshop that was held on July 25, and Environmental Finance got a very good response with feedback, and gained some potential users to work with a pilot program. A member of the press attended the workshop and released an article about the additional subsidization monies not being used which helped generate interest. It would be beneficial to have more press releases.

Wastewater Planning Advance Grant Request

Reza Moqtaderi presented the **City of Wilmington 15th and Walnut CSO Separation and Green Street Project.**

Total Project Cost:	\$1,000,000
Assistance Requested:	\$100,000
Start Date:	September 1, 2019
Completion Date:	September 1, 2020
Consultant:	Arcadis

Scope: Preparation of a Preliminary Engineering Report (PER) and Environmental Information Document (EID) required for the Wilmington 15th and Walnut CSO Separation and Green Street Project CWSRF Loan Application.

Recommendation: Environmental Finance recommends Council's approval of a Wastewater Planning Advance in the amount of \$100,000 to the City of Wilmington for the proposed project.

Motion made by Mr. Dvornick, seconded by Mr. Desmond Baker to approve the Wastewater Planning Advance (\$100,000) to the City of Wilmington for the 15th and Walnut CSO Separation and Green Street Project. Motion passed unanimously.

Reza Moqtaderi presented the **FY2020 NFAA Wastewater Grant Status**

Wastewater Matching Planning Grants

Budgeted	\$150,000
Requested	\$0
Remaining	\$150,000

Wastewater Planning Advance Grants

Budgeted	\$200,000
Requested	\$100,000
Remaining	\$100,000

Wastewater Asset Management Grants

Budgeted	\$200,000
Requested	\$0
Remaining	\$200,000

ADMINISTRATORS' REPORTS

Greg Pope presented the **SFY 2019 END OF YEAR SUMMARY**

Summary for July 1, 2018 - June 30, 2019:

- CWSRF Program:
 - Open Binding Commitments – 7 for \$21,496,751
 - 15 Loans Closed in SFY 2019 - \$68,062,944
- DWSRF Program:

- Open Binding Commitments – 4 for \$8,489,857
- 12 Loans Closed in SFY 2019 - \$18,785,300
- NPS Loans closed in SFY 2019:
 - SLRP Loans – 26 for \$492,520
 - Poultry Loans– 2 for \$22,418
 - SEFO (DOT) Loans – 11 for \$204,221
 - Well Loans – 5 for \$22,340

Greg Pope presented the **Project Updates:**

- **Lewes – Savannah Place Sanitary Sewer Extension**
 - Construction – 85% complete
- **Harrington – Sanitary Sewer Capacity Improvements**
 - Construction – 80% complete
- **Dover-Pump Station Upgrade Project**
 - Del Tech Pump Station: Construction – 90% complete
 - Silver Lake Pump Station: Construction – 90% complete
 - Walker Woods Pump Station: Construction – 60% complete
- **New Castle County – Christina River Force Main**
 - Construction – 70% complete

Laura Robbins presented the **CWSRF and DWSRF Financial Updates**

CWSRF June 2019 Cash Flow Summary

in millions

Federal Capitalization Grants (1990 – Present)	\$	220
State Match (1990 – Present)	\$	41
DWSRF Transfer	\$	32
Total Capitalization	\$	293
Plus: Loan P/I Repayments & Interest on Investments	\$	210
Less: Loan Disbursements, Principal Forgiveness, & Administration	\$	- 412
Available Funds for Loans as of June 30, 2019	\$	91
Plus: FY20 Cap Grant & State Match	\$	9
Plus: Projected Loan Repayments & Interest on Investments (FY20)	\$	17
Less: Projected Loans Payable (FY20)	\$	- 72
Less: DWSRF Transfer (\$31.5)	\$	As Needed
Current Estimated Fund Balance for June 30, 2020	\$	45

DWSRF June 2019 Cash Flow Summary**in millions**

Federal Capitalization Grants Less Set Aside Expenses (1997 – Present)	\$	162
State Match (1997 – Present)	\$	38
CWSRF Transfer	\$	-32
Total Capitalization	\$	168
Plus: Loan P/I Repayments & Interest on Investments	\$	72
Less: Loan Disbursements	\$	-178
Available Funds for Loans as of June 30, 2019	\$	62
Plus: FY20 Cap Grant & Sate Match	\$	10
Plus: Projected Loan Repayments & Interest on Investments (FY20)	\$	9
CWSRF Transfer (\$31.5)	\$	As Needed
Less: Projected Loans Payable (FY20)	\$	-32
Current Uncommitted Fund Balance as of June 30, 2020	\$	49
Less: Loan Application <u>Pending</u> Approval (@ 100% of loan value)	\$	-4
Current Estimated Fund Balance	\$	45

Delaware Clean Water and Drinking Water Projected Fund Balances

Actual/Projected (in millions)	CWSRF	New Loan Capacity	DWSRF	New Loan Capacity
June 30, 2019	\$91		\$62	
June 30, 2020	\$45	\$72	\$49	\$38
June 30, 2021	\$25	\$30	\$30	\$20
June 30, 2022	\$6	\$20	\$30	\$15
June 30, 2023	\$12	\$20	\$32	\$15

Note: Management has established a \$5 Million dollar capital reserve for the Fund. This reserve allows the SRF Programs 24 months to prepare for leveraging and associated fees. New loan capacity may be at a higher amount in years 2022-2023. These are estimates. Additionally, SRF Federal Funds received in years 2021-2023 are assumed at half of the historical amount.

SUBCOMMITTEE REPORTS:

Chairman Bross stated that new chairs would be appointed for the Wastewater Subcommittee.

WASTEWATER: Did not meet.

SURFACE WATER: Did not meet. Vice-Chair Medlarz stated that there was some discussion circulated by email regarding the Surface Water Needs Assessment.

FINANCE: Met August 12. Jen Adkins reported that the topics of discussion were: Additional Subsidization, affordability analysis and an existing contract with DNREC that maybe able to provide technological assistance with the affordability analysis, and the new cash flow model progress. The next meeting is October 7, 2019.

DRINKING WATER: Did not meet. Mr. Duncan stated that emails were circulated regarding the Artesian projects presented at today's meeting. He thanked Heather Warren for her leadership and knowledge of the SRF Program.

PUBLIC COMMENTS: John Buccioni from Milton expressed concern over the contaminated private wells in Sussex County. A safe well has a nitrate level of 10mg per liter or lower. Some wells that were tested have a nitrate level of 92.3 per liter. There have been meetings with Senator Carper over the last few years. Mr. Buccioni commented that there is over \$400,000 from the federal government that has been sitting in an account since April and it has not moved. The funds were earmarked for private wells in Sussex County with the assistance of Senator Carper's office. Mr. Buccioni suggested the funds be used for Reverse Osmosis systems and deeper wells to help people with contaminated wells.

It was explained to Mr. Buccioni that the money has been allotted, but not awarded yet. The grant application process has not opened up yet to apply. It was suggested that the money be allocated through DNREC and WIAC, disbursed to the Counties, and then it could reach private well owners by way of the Community Block Development Program. WIAC cannot act until the money is in the account. Environmental Finance will follow-up on the money.

Maria Payan works for a nonprofit. She met people in unincorporated areas with small babies in the house that are afraid to wash clothes, and mentioned a woman that lost both legs. She expressed deep concern about the earmarked funds that no one knows how to access.

GOOD OF THE COUNCIL: Chairman Bross scheduled a Chairman's luncheon with Environmental Finance staff at 12 Noon on September 5th. Council members are welcome to attend the luncheon.

Mr. Duncan reported that 30% to 50% of the water treatment operator workforce will be retiring in the next five to ten years. Delaware Rural Water Association will hold its first class for the Water/Wastewater Replenishing Program on October 16th. The class is not just for those looking for a career change; seasoned operators may participate to enhance their knowledge. Participants register with the Department of Labor.

Heather Warren reported that \$4 million will go towards the Ellendale project.

MEETING ADJOURNMENT: Motion made by Mr. Duncan, seconded by Mr. Anderson to adjourn the meeting. Chairman Bross adjourned the meeting at 10:17 a.m. The next WIAC meeting is October 16, 2019, and will be held at Kent County Administrative Complex, Conference Room 220, 555 Bay Road, Dover, DE at 9:00 a.m.